Richelieu

RICHELIEU HARDWARE LTD.

1999 Annual Report

www.richelieu.com

Ten years of growth and expansion-by-acquisition has contributed making Richelieu a leader, with a solid track record and strong growth potential for the year 2000 and beyond.

A number of investors, customers and suppliers give their impressions in this 1999 Annual Report.

Partner of Distinction
RONA 1999
Builder of Excellence
Floor Coverings Category
CERAMAX

Certificate of Excellence
SIDIM 1999
Decorative lighting and accessories category

Entrepreneur of the Year (Quebec) - 1999
Wholesale and Distribution

Annual General Meeting of Shareholders

Tuesday, March 28, 2000 at 10:00 a.m.
Auditorium of the Montreal Exchange
800 Victoria Square, 4th floor
Montreal, Quebec

Contents

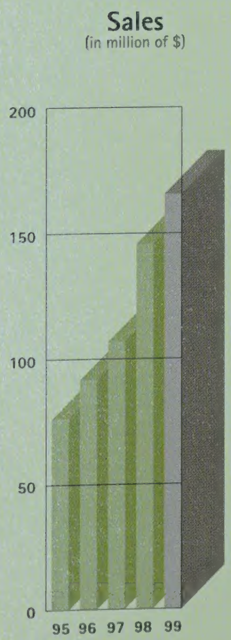
Richelieu

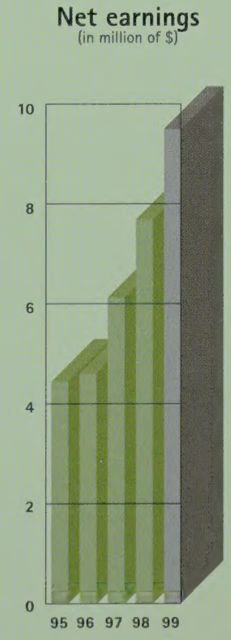
Financial Highlights

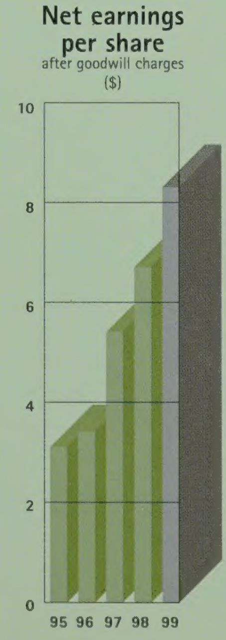
For the fiscal years ended November 30
(in thousands of dollars, except per-share amounts and ratios)

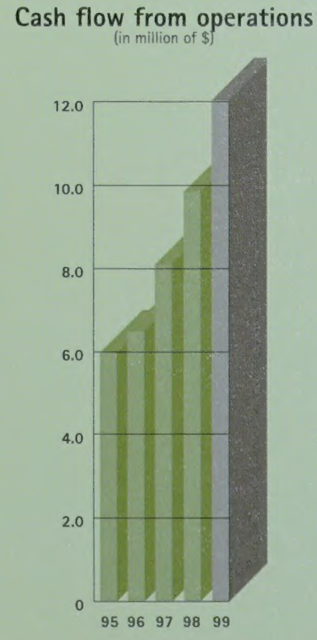
	1999	1998	1997	1996	1995
Results					
Sales	**165 107**	145 421	106 645	91 550	76 025
EBITDA	**20 074**	16 693	12 894	9 682	9 139
(% of sales)	**12,2 %**	11,5 %	12,1 %	10,6 %	12,0 %
Net earnings before goodwill	**10 206**	8 379	6 627	5 112	4 938
Net earnings after goodwill charges	**9 473**	7 697	6 130	4 615	4 452
Cash flow from operations [1]	**11 862**	9 829	8 088	6 488	5 981
Financial Position					
Working capital	**30 931**	21 947	23 611	17 632	23 423
Total assets	**87 659**	84 138	60 944	57 554	53 541
Long-term debt [2]	**5 012**	4 610	2 942	4 296	1 341
Shareholders' equity	**58 490**	50 622	42 498	36 359	43 360
Per share data					
Average number of shares outstanding (000's) [3]	**11 461**	11 528	11 476	13 670	14 432
EPS basic before goodwill charges	**0,89**	0,73	0,58	0,37	0,34
EPS basic after goodwill charges	**0,83**	0,67	0,54	0,34	0,31
EPS fully diluted before goodwill charges	**0,84**	0,69	0,55	0,36	0,34
EPS fully diluted after goodwill charges	**0,78**	0,63	0,51	0,33	0,31
Cash flow from operations	**1,03**	0,85	0,71	0,48	0,42
Book value	**5,11**	4,37	3,70	3,17	3,00
Ratios					
ROE (average equity)	**17,6 %**	16,5 %	15,5 %	10,8 %	10,9 %
ROE (excluding goodwill effect)	**29.6%**	30.6%	27.3%	19.0%	20.0%
Long-term debt to equity	**8,6%**	9,1 %	6,9 %	11,8 %	3,1 %

(1) Before net changes in non-cash working capital balances related to operations
(2) Excluding current portion
(3) After splitting of all outstanding shares on the two-for-one basis on April 9, 1999









Quarterly Information

(in thousands of dollars, except per-share amounts)

Fiscal	1	2	3	4
1999				
• Sales	33,588	43,444	42,851	45,225
• EBITDA	3,308	5,502	5,608	5,657
• Net earnings	1,417	2,609	2,548	2,899
• Per share	$ 0.13	$ 0.23	$ 0.22	$ 0.25
Diluted	$ 0.12	$ 0.22	$ 0.21	$ 0.24
1998				
• Sales	28,741	37,954	38,566	40,160
• EBITDA	2,794	4,281	4,590	5,028
• Net earnings	1,246	2,059	1,989	2,403
• Per share	$ 0.11	$ 0.18	$ 0.17	$ 0.21
Diluted	$ 0.10	$ 0.17	$ 0.16	$ 0.20
1997				
• Sales	22,019	28,803	27,560	28,263
• EBITDA	2,239	3,466	3,431	3,758
• Net earnings	985	1,664	1,663	1,818
• Per share	$ 0.09	$ 0.15	$ 0.15	$ 0.16
Diluted	$ 0.08	$ 0.14	$ 0.14	$ 0.15

Stock Information

High/Low: $11.00 / $7.00

(twelve months ended November 30, 1999)

Share price as at February 11, 2000: $10.00

Positioning

Distribution

Canada's leading distributor and importer of specialty hardware and complementary products

Manufacturing

- Manufacturer of veneer sheets and edgebanding products unique in North America, for its diversified selection of innovative products marketed around the world
- Manufacturer of panels, tackboards, chalkboards and whiteboards

Mission

- Anticipate **industrial and retailing customers'** expectations and provide the most complete lines of specialty hardware products for furniture and kitchen cabinets, residential and commercial renovation.
- For our **employees**, maintain a climate of respect and creativity in harmony with the Company's objectives, and remain an attractive employer for top-quality human resources.
- Consider our **suppliers** as partners to offer our customers the most complete and competitive selection of products.
- Provide our **shareholders** with an optimal long-term return.

Markets

2 major market segments

- furniture and kitchen cabinet manufacturers
- hardware retailers including hardware superstores

Network

Canada: 14 distribution centres
2 distribution and manufacturing centres
1 manufacturing subsidiary

United States: 1 distribution centre

1989–1999

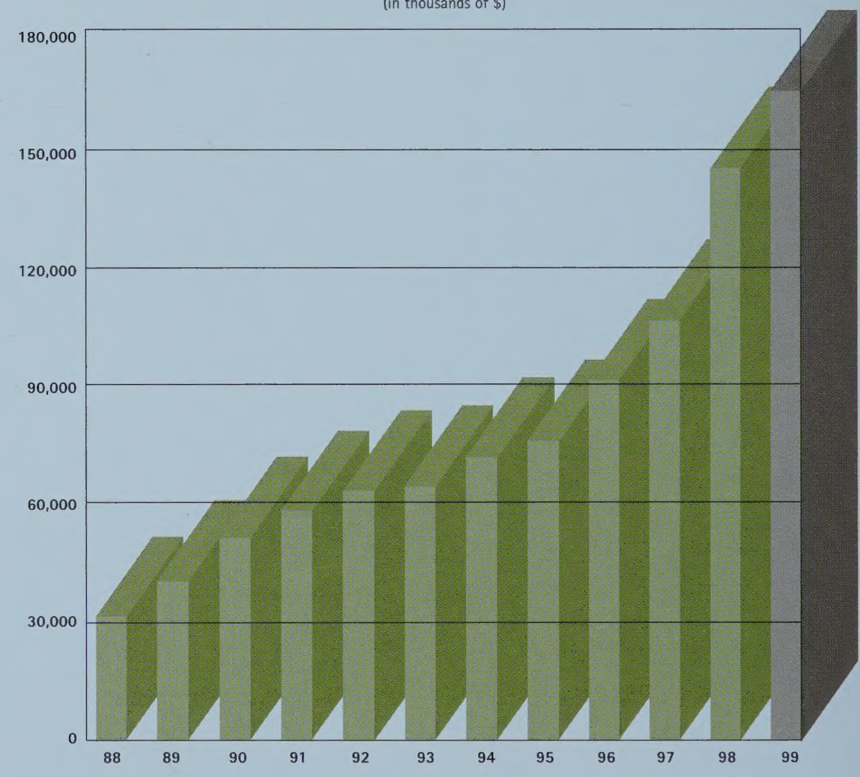
10 Years of Growth and Expansion

In the past decade, Richelieu has proven its ability to seize expansion opportunities across the country and integrate acquisitions in a profitable manner.

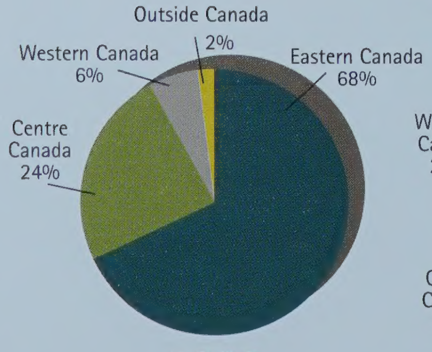
Since 1988, the Company has made twelve acquisitions to meet specific objectives:

- strategically extend its distribution and warehousing network;
- broaden and diversify its selection of products;
- create sustainable synergies;
- diversify its geographic markets and develop its customer base;
- gain access to new sources of supply with world-class leaders;
- enhance its purchasing power and competitive edge;
- increase the number of skilled human resources specialized in its product lines;
- become the industry leader with the objective of continuing to expand in Canada, and develop the U.S. market in the year 2000 and beyond.

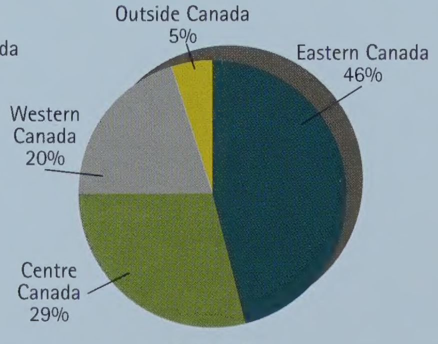
Sales
(in thousands of $)



Geographic breakdown of sales

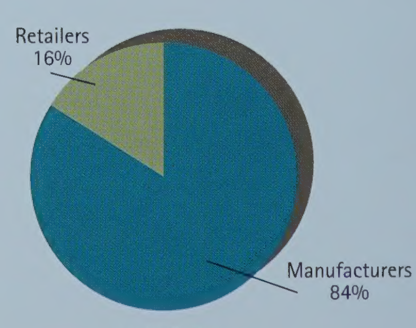


1993



1999

Breakdown of sales by market segment



1999

Message to Shareholders

At the end of a decade of growth which highlighted our capacity to manage change, we are proud to present our shareholders with strong sales and earnings growth and an excellent financial position for another consecutive year.

Richelieu has entered the year 2000 as an industry leader in Canada, with the capacity to maintain its leadership and achieve a strong penetration in U.S. markets.

Strong value-added strategy

In recent years, in cooperation with all our human resources, Richelieu has aimed to become the most efficient and innovative organization in its field to position it solidly as Canada's leading distributor of specialty hardware and complementary products.

We have consistently applied a strong value-added strategy to emerge as **the hardware specialist** and the supplier of choice for the furniture industry, kitchen cabinet manufacturers and woodworking industry, as well as hardware retailers, renovation centres and hardware superstores.

Our leadership entails high standards, both for the quality and diversity of our products and for prices and service. We therefore incorporate **significant added value through continuous innovation, exclusive marketing programs and cutting-edge distribution logistics**. These three aspects of our business enable us to constantly meet new challenges and are the cornerstones of our growth.

Richelieu has been and will remain an active agent for innovation in its markets. Its ongoing development continues to drive market trends.

Richelieu has applied a value-added strategy in all aspects of its business throughout the years and economic cycles, making it **unique** in its sector and a secure and solid investment for shareholders. During the last five fiscal years, **we have achieved compound average annual growth of 21.4% in sales and 20.8% in net earnings**.

The Canadian economy has been stronger over the past three years, stimulating **commercial and residential renovation spending**, on which most of our sales depend. This economic upswing has also had an impact on orders in the **Canadian furniture industry**, which reported an excellent year in 1999, increasing its exports considerably and forecasting an even better year 2000.

In 1999, **sales** rose 13.5% to $165.1 million. We recorded **net earnings** of $9.5 million, up more than 23.1% over 1998, equivalent to $0.89 per share before amortization of goodwill ($0.84 fully diluted), and $0.83 after amortization of goodwill ($0.78 fully diluted). This mostly internal growth is a reflection of our organization's size and efficiency.

We ended the year with the healthiest financial position that we have ever achieved. **Return on average equity reached 17.6%**, and 29.6% excluding the impact of goodwill.

Strong value-added strategy

- The most complete product selection for the most specialized markets
- Efficient distribution logistics across Canada
- Top-quality service
- Exclusive marketing programs
- A highly specialized sales force
- Sustained profitability and a healthy balance sheet
- Ongoing expansion-by-acquisition

Local service
backed by a national sales force

Distribution accounted for more than 90% of our sales in 1999. **Distribution logistics continue to play a key role in maintaining top-quality service and peak efficiency.** Improvements to our integrated information system provided access by electronic data interchange (EDI) to a larger number of customers and suppliers.

With computerized order processing and centralized data, we can ship goods from the closest centre to the customer, on a timely basis after the order. Up-to-the-minute information on inventories enables those responsible for purchasing and each link in the chain to monitor trends in demand nationwide, and to maintain **optimal inventory levels in each warehouse.**

In 1999, we increased our distribution and warehousing capacity, at low cost, to better serve our customers no matter where they do business. We continued to reorganize our network by relocating our largest distribution centre located in Montreal along with our ceramic tiles division in the same facilities as our head office, combining the operations of Simtab and Panneaux Néos at strategic facilities in Laval, and merging the two Winnipeg warehouses into a single centre to serve Manitoba more efficiently.

On January 10, 2000, we completed **another strategic acquisition in Western Canada.** European Hardware, a Saskatchewan company which operates two distribution centres in Regina and Saskatoon has now joined our Group. Our Canadian network now includes 16 links strategically located as regional development centres, plus our Detroit distribution centre, which opened in November 1998.

Manufacturing
geared to the world market

Specializing in veneer sheets and edgebanding products, our manufacturing subsidiary Cedan Industries Inc. has maintained vigorous internal growth since its acquisition by Richelieu in 1988, with compound annual sales growth of approximately 13% since 1989. Over the past year, the subsidiary increased its business volume by 15% and recorded 45% of its sales abroad.

In recent years, Cedan has achieved a unique position in North America and is a world player in its field. This performance reflects a great creativity in its design and manufacturing of distinctive products with strong marketing potential. Production requires cutting-edge industrial equipment and the contribution of internal R&D specialists. Its broad product lines are sold and distributed across Canada by Richelieu's sales force and network. Cedan's marketing department concentrates on international markets.

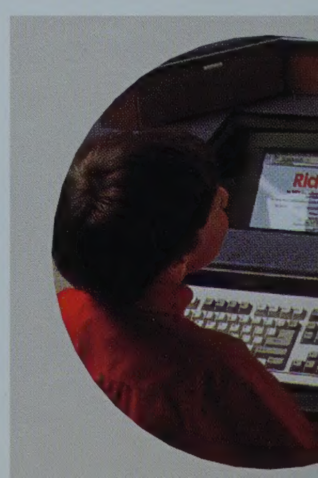
After the successful innovation of **multi-ply edgebanding, of which it remains the exclusive manufacturer in North America,** Cedan developed other value-added products in 1999. The anticipated demand for such innovations and traditional products should give rise to a considerable increase in its Canadian and international sales in the coming years.

Through our divisions in Western Canada, we also manufacture tackboards, chalkboards and whiteboards which are distributed across Canada.

Marketing and sales:
Spearheading our growth and future development

At Richelieu, marketing and sales share a priority with distribution and service. Reporting directly to senior management, this strategic function drives our growth and sets us apart. It focuses on **constantly innovating in our product lines; stimulating demand with architects and designers; creating and updating our own promotional materials, such as catalogues, brochures, CD-ROMs and displays, while also providing the right selling tools for our customers; maintaining the exclusivity of marketing programs; and continuing to train specialists in our product categories.**

Our marketing is based on an in-depth knowledge of market segments and emerging trends in renovation, construction and furniture manufacturing. It is also based on our ability to offer customers, no matter how specialized, a variety of functional and decorative hardware products, including the latest innovations from around the world, at competitive prices.



While our product selection makes us the leader in our market, some credit is owed to **our partnerships with suppliers**, with whom we maintain a sustainable, constructive relationship of trust. Such partnerships add value to our service, enabling us to bring new ideas to our customers while offering them the products best suited to their needs.

In 1999, we continued to improve our national sales structure, strengthen our local teams and perfect our marketing tools to increase our market share and penetrate new territories.

Toward e-commerce

Richelieu is ideally positioned to take advantage of electronic commerce. Given the nature of its business, creativity, complete selection of specialty products, distribution logistics and decentralized service, it meets the key criteria for success on the Web.

Over the next two years, we intend to take a step-by-step approach. Our complete catalogue is currently available on interactive CD-ROMs. **In the first half of fiscal 2000, we will display this catalogue on our Web site, which will also be made transactional for our customers.** Consumers will discover the variety of Richelieu products available from our customers. We will also launch various projects likely to increase the number of hits.

Our Web site will be a place to discover the most complete lines of specialty products, including the latest innovations in esthetics and ergonomics, as well as an additional search and promotional engine for our customers.

Richard Lord
President and Chief Executive Officer

Outlook: Sustained internal growth and expansion in North America

Our short-term objective is to pursue our growth by improving profits and achieving $200 million in annual sales. This should be fuelled by the continuing **strength of the residential and commercial renovation industry, the sharp rise in retail sales and current order backlogs in the Canadian furniture industry.**

What's more, **specialty hardware is a constantly changing field, and the potential for growth remains enormous.** New manufacturing technologies and evolving ergonomic and esthetic needs speed up the cycle of renewal, continually revolutionizing layouts and furniture with innovative materials and designs. By making better and better use of space, such improvements help create more attractive living environments and enhance the quality of life of large numbers of consumers.

As in recent years, we will further explore the specialty hardware sector, which is still highly fragmented, to seize acquisition opportunities matching our growth criteria. We also plan to develop our presence in the United States from the initial base established in Detroit.

We would like to express our gratitude for their cooperation to all members of the Richelieu team, for it is by working together that we achieve sustained growth. We would also like to sincerely thank our customers and suppliers for their loyalty and pledge that we will continue to earn the confidence of all our business partners. Finally, we wish to assure our shareholders that we are committed to optimizing their investment in Richelieu into the year 2000 and beyond, with its exciting potential and more solid strengths and assets than ever.

R Lord

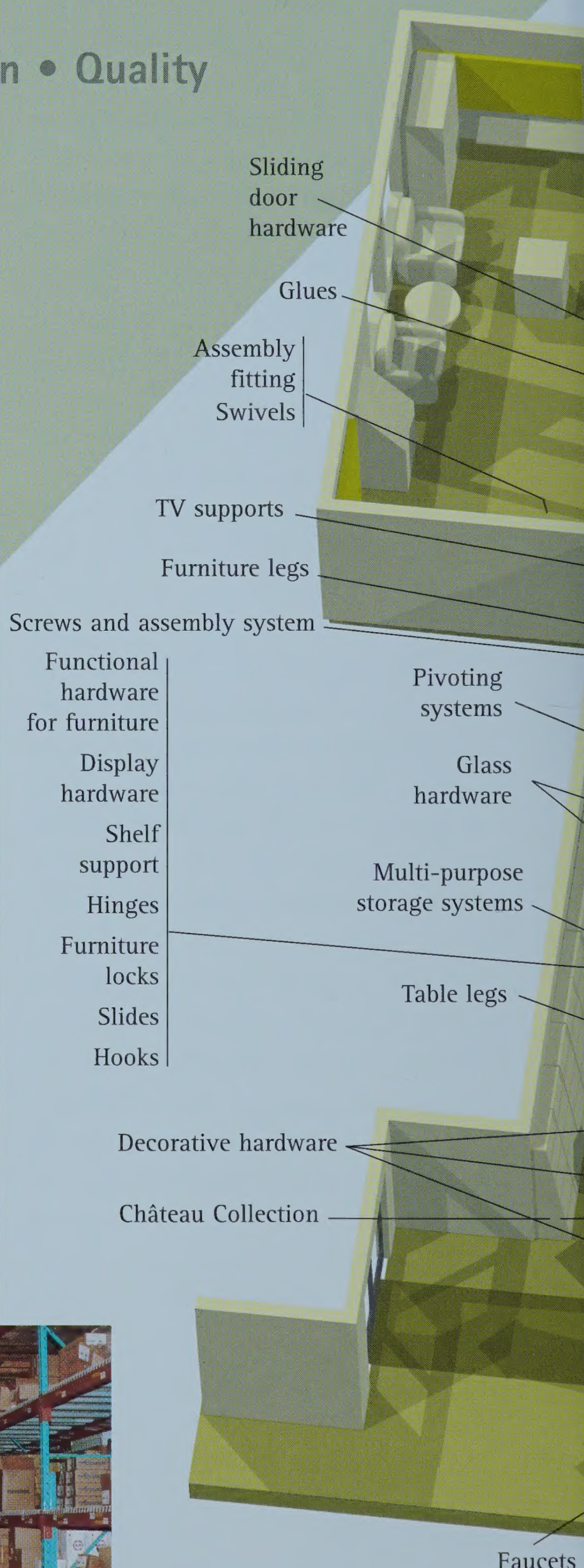
Richard Lord

President and Chief Executive Officer

A Unique Selection of Specialty Products in North America

Diversity • Harmony • Innovative Design • Quality

- Guided by customers' needs and the latest trends, we launch more than 1,000 new SKUs every year, without including those from acquisitions.
- As at November 30, 1999, 10 major categories represented more than 20,000 inventoried items for more than 20,000 active customers, 17,000 of which are furniture and kitchen cabinet manufacturers or in the millworking and woodworking industry, and more than 3,000 customers are hardware retailers including hardware superstores.
- We stock our products from leading suppliers around the world.



Distribution and warehousing centre completed in April 1999, at 7900 Henri-Bourassa Boulevard West, Ville St-Laurent, Montreal.
Floor space: 180,000 sq.ft.

The network reorganization carried out in 1999 increased the total warehousing area by 40,000 sq.ft, bringing it to 400,000 sq.ft.

Functional hardware for furniture
Chalkboard and tackboard
Decorative panels
Aluminium extrusions
Bathroom partition hardware
Furniture casters
Service counter
Lighting systems
Butcher blocks
Cedan veneer and edgebanding
Counter top
Door locks
Cabinet doors
Slides
Hinges
Retractable ironing board
Kitchen accessories
Chrome kitchen equipment
Cutlery trays
Lazy Susans
Laminate flooring
Waste bins
Cabinets levelers
Bed fitting
Laminates
Work surface counters
Handicap shower
Ergonomic office products
Table hardware
Ball bearing slides
Solid surfacing countertops

Point of view

customers

"The commitment that your company has in meeting customers needs is remarkable and your people are always available in trying to solve problems that might arise. The variety and the quality of the products that you represent is excellent and always available to be shipped to us.

Antony Bevilacqua, Purchasing Manager
Canac Kitchens, a division of Kohler Ltd.
(Thornhill, Ontario)

We at Eastland Industries are very happy with our close association with Richelieu Hardware for many years as a supplier of many of our products. We are very pleased with the quality and services we receive and their prompt assistance to any of our problems in our manufacturing operation.

Angelo J. DiCarlo, President
Eastland Industries Limited
(Minto, New Brunswick)

Evans long standing relationship with Richelieu Hardware is a testimony to Richelieu's commitment to effectively collaborate with Evans. Richelieu, thank you for your ongoing commitment to Evans diverse and challenging business needs.

Steven Motta, VP Strategic Business Development
Evans Consoles Inc.
(Calgary, Alberta)

Being able to count on reliable service, rapid delivery and a vast selection of functional and decorative hardware products is of the greatest importance to us as manufacturers and exporters of top-of-the-line furniture. For us, it is a key success factor in international markets. Richelieu is not only an efficient distributor, but also a source of innovative ideas to enhance the functional and decorative aspects of our furniture. For a manufacturer whose priority is to provide customers with more added value, Richelieu offers the most utilitarian and innovative choice worldwide, under one roof.

Robin Neil, Purchasing Manager
Shermag
(Sherbrooke, Quebec)

Richelieu offers us an unparalleled selection of products meeting consumer needs. Its in-store displays are the best on the market, its service can be qualified as excellent, and it delivers orders on-time and accurately.

Henri Drouin, Chairman of the Board
RONA Inc.
(Boucherville, Quebec)

Richelieu is the official supplier of various hardware products for Groupe Lacasse. We are very proud to be associated with Richelieu. For us, a quality product and just-in-time delivery are factors of the utmost importance, and Richelieu has always met our expectations.

Guy Lacasse
President and Chief Executive Officer
Groupe Lacasse
(St-Pie, Quebec)

Our relationship with Richelieu Hardware keeps us abreast of the latest products on the market. The Company can be consistently relied upon to provide excellent service and just-in-time delivery.

Claude Magnan
Vice-President, Sales and Marketing
C.E. Cabinets (Novax Modular Group Inc.)
(Laval, Quebec)

We at Westwood pride ourselves as a leader in our industry and seek out firms that have similar philosophies. Our relationship with Richelieu is very much like a partnership and is based on the professional service, high quality products and the innovative ideas that we are exposed to when dealing with Richelieu.

Richard Boysen, General Manager
Westwood Mfg.
(Kelowna, British Columbia)

The hard work and support of the local sales office and Richelieu's collaboration in adding value to it's products through improved sourcing has been key to the growth of our business this year.

Rod Wells, General Manager
Prepac Manufacturing Ltd.
(Richmond, British Columbia)

Kitchen Craft Canada has benefited from the relationship with Richelieu, JIT inventory support and the wide rage of products available.

Grant Fisher, Purchasing Manager
Kitchen Craft of Canada Ltd.
(Winnipeg, Manitoba)

It is normal to overservice to acquire a new account. Five years have gone by and we still feel like a new account. Your level of product and service has amazed our people over the years.

Phil Philips, President
Tayco Panelink Ltd.
(Toronto, Ontario)

Dealing with Richelieu Hardware makes our purchasing decisions an effortless experience. Their expertise contributes greatly to our just-in-time environment.

Barney Breslow, Purchasing Manager
Carina SystemBuild
(Weston, Ontario)

Through the years, the partnership developed between Richelieu and North American Caseline, has become an increasingly valuable resource. The level of customer support and the knowledge your representatives have with respect to the products and services offered continue to be instrumental in meeting the requirements, goals, and challenges of both our manufacturing and marketing sectors of our company.

Ed Stechkewich, Manager
North American Caseline, Inc.
(Winnipeg, Manitoba)

After being in the kitchen and bathroom business for the past 15 years, we find that many of our needs are fully met with your extensive products line. We rarely have to shop elsewhere!

Connie Lombardi, President
Marcon Kitchen & Bath Studio
(Etobicoke, Ontario)

It is not often that I sit down and write letters to my suppliers to thank them for the hard work and effort put forth in maintaining our business relationship. The usual letters to my suppliers are the "I am dissatisfied with the product" or "I am displeased with your service" type of letters. We have been dealing with Richelieu Hardware for over 10 years and we are pleased with your excellent service and product knowledge. Your staff has successfully helped us integrate new and better quality hardware into our high quality Architectural Wood products; while maintaining fair prices. As your company grows and modernises, Richelieu Hardware has always been there with new and innovative products that meet our high productions standard.

Danny Talic, Vice-President
Art Woodwork
(Mississauga, Ontario)

I've been purchasing products from Richelieu Hardware since 1993, during which time I've been continuously amazed at the attention to service by the sales representatives and order desk personnel. The exceptional stocking program leaves little room for the words "back order".

Tim Tiessen, President
Sun Parlour Custom Woodwork
(Leamington, Ontario)

At Canadel, quality and reliability of service are the criteria sought by our suppliers, and Richelieu Hardware meets them in full. Bravo to the entire team.

Guy Brassard, CA
Financial Controller, Buyer
Canadel Furniture Inc.
(Louiseville, Quebec) "

suppliers

“We at Blum are happy to have been Richelieu partners for 20 years in the Canadian market. The Richelieu team brings all the ingredients to the market which are important for a successful distributor on a national scale. Richelieu is always open to new product ideas, which is very important for Blum because we continuously strive to bring innovative products to our customers in Canada. Richelieu's knowledgeable sales force is an ideal partner for the nationwide marketing of our new and existing products. Richelieu and Blum are highly compatible in their business philosophy because both our companies put great emphasis on providing top-quality customer service.”

Gerhard E. Blum
President
Julius Blum GmbH
(Höchst, Austria)

“We want to express our gratitude for the excellent performance that Richelieu is achieving on behalf of Titus in the Canadian woodworking market. This could not have been achieved without substantial hard work and perseverance. Now in our seventh year of collaboration, the Richelieu and Titus brands are inextricably linked as leading the market in Canada. Most recently, our joint development of the TAG account system has had extraordinary results. This system has simplified the opportunity identification process and increased the potential to create specification opportunities. The combined efforts of Titus sales, applications engineering, and Richelieu field representatives make a highly effective team.”

Walter J. Zabriskie
President
Titus Tool, Co. Inc.
(Kent, Washington, USA)

“Uniboard Canada Inc. is proud to participate in the vigorous and sustained growth of Richelieu, distributor of its industrial products. Uniboard and Richelieu have many strategic objectives and values in common. Richelieu is a true source of inspiration in its industry.”

Cam Gentile
President & CEO
Uniboard Canada Inc.
(Laval, Quebec)

“We are very pleased to count Richelieu as one of our most highly regarded distributors. Selling Accuride drawer slides requires excellent technical knowledge, and Richelieu's sales force is up to the challenge. In addition, its broad product mix, excellent marketing and complete coverage of the Canadian market all add up to a company we are proud to call our partner.”

Scott Jordan
President & CEO
Accuride International Inc.
(Santa Fe Springs, CA, USA)

“Your success confirms the technical preparation and the familiarity with products of your sales force. We consider very important that you gave us the opportunity to help you to train somes of your sales people, informing them about our consolidated products and new projects and giving them the largest number of solutions, useful for your customers.”

Carlo Cattaneo
President
CAMAR
(Como, Italy)

“We have enjoyed a wonderful and beneficial relationship with Richelieu for over ten years and look forward to many more. You have helped us introduce many new products to the Canadian market and persevered through the initial start-up problems, for which we are truly indebted to you. As our volume grows with further penetration of our various markets and the introduction of new products, we look forward to sharing these successes with you.”

John W. Moore
President
The Swan Corporation
(St. Louis, Missouri, USA)

“We greatly honour the efforts of Richelieu's staff. For over 15 years, we have enjoyed a mutually beneficial relationship and the binds between our two companies are strong. We at Specco have the confidence to continue working closely with your team.”

Rocky Liu
Managing Director
Taiwan Specco Co. Ltd.
(Taipei, Taiwan)

Point of view

Financial Markets

"We believe that an important reason the Company has performed well in the past ten years and will continue to grow in the future is the strength of its management team. First and foremost, all of the senior management team has had previous experience in either hardware and/or distribution. In addition, the vast majority of the Company's senior management team has been retained from acquisitions Richelieu completed over the years. The combination of this pertinent knowledge and expertise of the industry has played a key role in the successful selection and integration of past acquisitions as well as the overall growth of the business. In turn, this experience and knowledge can soon be applied to the larger U.S. market. RECOMMENDATION: BUY."

SPROTT SECURITIES LIMITED
Jennifer McCaughey - Associate
September 1999

"Richelieu remains uniquely positioned given its national footprint and assortment of over 20,000 products. Given the fragmentation in Richelieu's target markets, access to such a diversified portfolio of products at a reasonable cost would be virtually impossible in a consistent fashion, essentially embedding Richelieu as a valuable supplier. Richelieu operating strategy has allowed it to earn some of the highest EBITDA margins in the industry, a trend we believe will continue into New Year as the company continues to build on its core competencies and expertise. RECOMMENDATION: BUY."

CIBC WORLD MARKETS
Ron Schwarz, CFA
January 2000

"As a true market leader in Canada, Richelieu is well positioned to further consolidate the specialty hardware industry, thereby increasing the diversity of its product offering as well as penetrating new specialized segments. We believe Richelieu will continue to benefit from strong exports in kitchen cabinets and furniture, as home improvement activity is expected to remain robust south of the border on the heels of another record year of existing home sales... Furthermore, demand for enhanced ergonomics and functionality, both at home and at the office, favour a greater usage of specialty hardware products. RECOMMENDATION: BUY."

NATIONAL BANK FINANCIAL
Martin Goulet
January 2000

"Investing in Richelieu provides a way to benefit from strong renovation activities... Approximately 75% of the Company's sales are driven by renovation and 25% by new construction (residential and commercial). Very competitive pricing due to purchasing power and product selection, a highly skilled sales force, and efficient delivery systems that support its national distribution network provide Richelieu a solid competitive advantage. We believe that Richelieu's strong management team, cash flow from operations, and financial flexibility should allow it to take advantage of new acquisition opportunities and to capitalize on these trends. RECOMMENDATION: STRONG BUY."

SCOTIA CAPITAL
Anthony Zicha
December 1999

Management's Discussion and Analysis of Operating Results and Financial Position

The fiscal year ended November 30, 1999 was another period of profitable growth for Richelieu. The Company increased its sales and improved its profit margins, in markets fuelled by a rise in residential and commercial renovation spending and a dynamic furniture industry, which exported more than ever. In this favourable context, Richelieu capitalized on its well-organized network, unique product selection and specialized sales force.

On April 9, 1999, the Company proceeded with a share split of its common shares on a two-for-one basis. This is reflected in the number of shares and options and the per-share information in this report.

During the year, Richelieu further reorganized its network by streamlining the Montreal and Winnipeg distribution centres to achieve efficiency gains and improve service.

On January 10, 2000, subsequent to year-end, the Company continued its expansion in Western Canada by acquiring European Hardware in Saskatchewan.

Operating results

For fiscal 1999, Richelieu achieved sales of $165.1 million, up from $145.4 million in 1998. This increase of 13.5% was due mainly to internal growth, generated by the dynamism of its sales teams in all its markets and the constant renewal and broadening of its product lines. The Company maintained a steady pace of sales growth throughout the four quarters: 17% and 14% for the first two, and 11% and 13% for the last two periods of the fiscal year. The fourth quarter was the twelfth record quarter and the seventeenth of continued growth. Richelieu took advantage of the buoyant Canadian residential and commercial renovation industry, and the increased exports of furniture and kitchen cabinet manufacturers. It also benefited for a full year from the contribution of Dayvan, acquired in May 1998, and the Detroit distribution centre, opened in November 1998. It should be noted that Richelieu had acquired Panel Products at the beginning of the previous year, in December 1997. Sales totalled $106.6 million for the fiscal year ended November 30, 1997, up 16.5% over 1996. **Richelieu has more than doubled its sales in the past five years.**

Earnings before interest, income taxes, depreciation and amortization (EBITDA) rose 20.3% to $20.1 million, compared with $16.7 million in fiscal 1998. The Company generated an **operating profit margin** of 12.2%, up from 11.5% in 1998.

For the preparation of its financial statements for the fiscal year ended November 30, 1999, Richelieu decided to adopt the new recommendations with respect to the calculation of earnings before and after amortization of goodwill, as published in September 1999 in the Canadian Institute of Chartered Accountants' exposure draft on business combinations.

Earnings before income taxes and amortization of goodwill grew by 23.4% to reach $17.4 million, compared with $14.1 million in fiscal 1998. The Company recorded, on one hand, a $197,000 increase in depreciation of fixed assets and a $171,000 loss on the disposal of a building when the Montreal distribution centres were reorganized and, on the other hand, a $287,000 decrease in financial expenses due to the reduction in indebtedness during the year. These various expenses amounted to $2.6 million, almost the same as in 1998.

Richelieu's **net earnings** posted solid growth for the fifth consecutive year, rising 23.1% to $9.5 million, up from $7.7 million in 1998, which was already up 26% over the 1997 total of $6.1 million. **Earnings per share before amortization of goodwill** rose to $0.89 ($0.84 fully diluted), up from $0.73 ($0.69 fully diluted) in 1998. **After amortization of goodwill**, net earnings amounted to $0.83 ($0.78 fully diluted), as opposed to $0.67 ($0.63 fully diluted) for the previous year. **It should be noted that over the past five fiscal years, net earnings, like sales, have more than doubled.**

Changes in financial position

Cash flow from operations (before net change in non-cash working capital balances related to operations) grew by 20.7% or $2.0 million to reach $11.9 million or $1.03 per share, compared with $9.8 million or $0.85 per share in 1998. This growth resulted primarily from the increase in net earnings.

During fiscal 1999, **cash flows related to financing activities** consisted primarily of a $5.3 million reduction in total indebtedness, specifically repayments of $1.5 million in long-term debt and $3.9 million in bank indebtedness. In addition, it should be noted that in December 1998, the Company had launched a normal course issuer bid covering its common shares, for the purposes of cancellation of a maximum of 579,018 shares. Richelieu purchased 167,960 common shares under the program in 1999, for a total consideration of $1.3 million. Under the stock options program for its key employees, 113,100 options were transfered to the Company during the year for cancellation in consideration of a cash payment in the amount of $461,000. Also, 42,500 options were exercised, for a consideration of $177,000. As at november 30, 1999, 899,100 options remained outstanding.

In 1999, Richelieu **invested** $2.4 million in various fixed assets such as information technology equipment and software, machinery and equipment for the reorganization of the Montreal and Winnipeg distribution centres, and machinery for its manufacturing subsidiary Cedan Industries Inc. The Company also realized proceeds of $761,000 (a loss of $171,000) on the disposal of a building when the Montreal distribution centres were reorganized. It should be noted that during the previous year, Richelieu had acquired the assets of Panel Products and all of the shares of Dayvan, for an investment of $11.7 million, plus $7.3 million in various fixed assets, (including $5.7 million for the new Montreal facilities), for a total investment of $18.9 million in 1998.

Financial position

While carrying out strong expansion-by-acquisition program in recent years, Richelieu has maintained a healthy and solid financial position, further improved in 1999. As at November 30, 1999, **total assets** amounted to $87.7 million, up 4.2% over $84.1 million at the close of the previous fiscal year, which was itself up 38.1% over $60.9 million as at November 30, 1997. It should be pointed out that this major change was due primarily to fixed assets and the two acquisitions made in fiscal 1998.

As at November 30, 1999, **accounts receivable and inventories** showed increases of 11.5% and 6.2% respectively, less than the increase in sales.

Working capital reached $30.9 million, for a current ratio of 2.30:1, compared with $21.9 million and a ratio of 1.78:1 in 1998.

Shareholders' equity rose 15.5%, from $50.6 million to $58.5 million, due to an increase of $7.9 million or 19.9% in retained earnings. As at November 30, 1997, shareholders' equity totalled $42.5 million. **The book value** amounted to $5.11 per share, up from $4.37 as at November 30, 1998, and $3.70 in 1997.

Return on average equity rose to 17.6%, compared with 16.5% in fiscal 1998, and 15.5% in 1997. **Excluding goodwill, return on average equity** was 29.6%, as opposed to 30.6% in 1998, and 27.3% in 1997.

The long-term debt/equity ratio stood at 8.6%, versus 9.1% in 1998, and 6.9% in 1997.

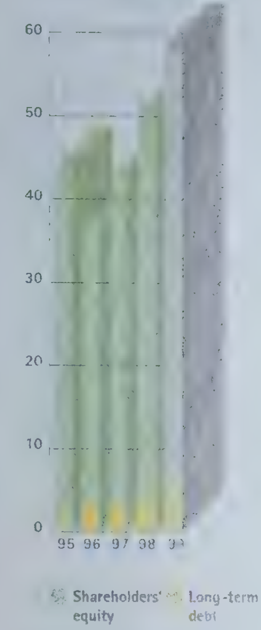
Event subsequent to year-end

On January 10, 2000, Richelieu acquired European Hardware, a Saskatchewan business which operates two distribution centres in Regina and Saskatoon. This acquisition will enable the Company to increase its penetration in this province, where its network did not yet extend, and to strengthen its positioning. These two centres are expected to contribute additional sales of some $3 million annually to total business volume.

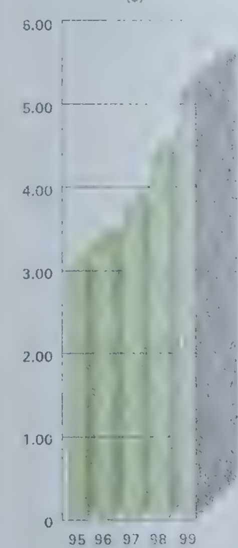
Outlook

During fiscal 2000, Richelieu will continue to take advantage of the buoyant Canadian renovation, furniture and construction industries to sustain its pace of internal growth. It will further diversify and broaden its product lines, which will be launched in new markets. A dynamic sales force, the continuous fine-tuning of marketing tools and creativity, combined with an efficient organization and excellent financial position, remain Richelieu's best assets to consolidate its leadership and continue expanding in Canada and the United States.

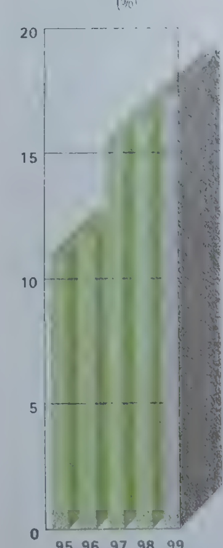
Shareholders' equity
Long-term debt
(in millions of dollars)



Book value per share
($)



ROE
(%)



Standing, Georges Albert, Vice-President, Finance and Marion Kloibhofer, General Manager, Central Canada. *Sitting,* John Statton, General Manager, Western Canada, and Richard Lord, President and Chief Executive Officer.

On the left, Jean-Pierre Giguère, General Manager, Cedan Industries Inc., and Claude Hamilton, General Manager of Divisions.

Officers

Jean E. Douville
Chairman of the Board

Richard Lord
President and Chief Executive Officer

Georges Albert
Vice-President, Finance

Marion Kloibhofer
General Manager, Central Canada

John Statton
General Manager, Western Canada

Claude Hamilton
General Manager of Divisions

Jean-Pierre Giguère
General Manager
Cedan Industries Inc.

Christiane Jodoin
Lawyer
Corporate Secretary

Directors

Jean E. Douville (2)
Chairman of the Board
Richelieu Hardware Ltd.
Special Adviser
Schroders & Associates Canada Inc.

Robert Chevrier (1) (2)
Chairman of the Board
and Chief Executive Officer
Westburne Inc.

Geno F. Francolini (1)
President and Chief Executive Officer
Xenon Capital Corporation

Mathieu Gauvin (1)
Vice-President
Schroders & Associates Canada Inc.

Richard Lord
President and Chief Executive Officer
Richelieu Hardware Ltd.

Robert L. Trudeau (2)
Chairman of the Board
Trudeau Corporation

(1) Member of the Audit Committee
(2) Member of the Human Resources Committee

Auditors' Report

To the Shareholders of
Richelieu Hardware Ltd.

We have audited the consolidated balance sheets of Richelieu Hardware Ltd. as at November 30, 1999 and 1998 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at November 30, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Montreal, Canada
December 23, 1999

Ernst & Young LLP
Chartered Accountants

Consolidated balance sheets

As at November 30 [In thousands of dollars]	1999 $	1998 $
ASSETS		
Current assets		
Accounts receivable *[note 5]*	25,754	23,100
Inventories *[note 5]*	28,695	27,030
Prepaid expenses	191	103
	54,640	50,233
Fixed assets *[notes 3 and 6]*	14,094	14,067
Goodwill *[note 4]*	18,925	19,838
	87,659	84,138
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loan *[note 5]*	3,216	7,066
Accounts payable and accrued liabilities	17,977	16,872
Income taxes payable	1,494	1,468
Current portion of long-term debt *[note 6]*	1,022	2,880
	23,709	28,286
Long-term debt *[note 6]*	5,012	4,610
Deferred income taxes	448	620
	29,169	33,516
Shareholders' equity		
Capital stock *[note 7]*	11,138	11,123
Retained earnings	47,352	39,499
	58,490	50,622
	87,659	84,138

See accompanying notes

On behalf of the Board,

Richard Lord
Director

Jean E. Douville
Director

Consolidated statements of earnings and retained earnings

Years ended November 30 [In thousands of dollars, except earnings per share]	1999 $	1998 $
Sales	165,107	145,421
Cost of sales and warehouse, selling and administrative expenses	145,033	128,728
Earnings before the following	20,074	16,693
Depreciation of fixed assets	1,477	1,280
Loss on disposal of fixed assets	171	–
Interest on long-term debt	440	378
Other interest and bank charges	560	909
	2,648	2,567
Earnings before income taxes and goodwill charges	17,426	14,126
Income taxes *[note 8]*	7,220	5,747
Net earnings before goodwill charges	10,206	8,379
Goodwill charges, net of income taxes of $180 [1998 – $180]	733	682
Net earnings	9,473	7,697
Retained earnings, beginning of year	39,499	31,802
Premium on purchase of shares for cancellation *[note 7]*	(1,159)	–
Stock options settled in cash, net of income taxes *[note 7]*	(461)	–
Retained earnings, end of year	47,352	39,499
Basic earnings per share *[note 7]*		
Before goodwill charges	0.89	0.73
After goodwill charges	0.83	0.67
Fully diluted earnings per share *[note 7]*		
Before goodwill charges	0.84	0.69
After goodwill charges	0.78	0.63
Weighted average number of shares outstanding	11,461,485	11,528,222

See accompanying notes

Consolidated statements of cash flows

Years ended November 30 [In thousands of dollars]	1999 $	1998 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	9,473	7,697
Items not requiring cash flows		
Depreciation of fixed assets	1,477	1,280
Amortization of goodwill	913	862
Loss on disposal of fixed assets	171	–
Deferred income taxes	(172)	(10)
	11,862	9,829
Net change in non-cash working capital balances related to operations	(3,276)	(1,092)
	8,586	8,737
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	–	5,822
Repayment of long-term debt	(1,456)	(2,542)
Issue of common shares	177	427
Purchase of shares for cancellation	(1,321)	–
Stock options settled in cash	(461)	–
Increase (decrease) of bank indebtedness	(3,850)	6,488
	(6,911)	10,195
CASH FLOWS FROM INVESTING ACTIVITIES		
Business acquisitions *[note 2]*	–	(11,653)
Additions to fixed assets	(2,436)	(7,279)
Proceed on disposal of fixed assets	761	–
	(1,675)	(18,932)
Net change in cash and cash equivalents and balances at beginning and at end of year	–	–
Other information:		
Income tax paid	7,128	5,389
Interest paid	1,012	1,222

See accompanying notes

Notes to consolidated financial statements

NATURE OF BUSINESS

Richelieu Hardware Ltd. acts as a manufacturer and distributor of specialty hardware for kitchen and commercial cabinet manufacturers, as well as hardware retailers including hardware and home improvements superstores.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates. The significant accounting policies used are as follows:

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Consolidated statements of cash flows

The Company adopted retroactively the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flows information. Under the new recommendations, all non-cash transactions are excluded from the cash flows statement and disclosed elsewhere in the financial statements. Cash equivalents are restricted to investments that are readily convertible into a known amount of cash and which have an original maturity of three months or less. As well, changes in short term borrowings, other than overdrafts which are an integral part of the day-to-day cash management process, are treated as financing activities.

Inventories

Inventories are valued at the lower of average cost and net realizable value.

Fixed assets

Fixed assets are recorded at cost. Depreciation is computed under the straight-line method over the following estimated useful lives:

Buildings	20 years
Leasehold improvements	over the terms of the leases
Machinery and equipment	5 to 10 years
Rolling stock	5 years
Furniture and fixtures	5 years
Computer equipment	3 to 5 years

Goodwill

The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill and amortized over a period of twenty to forty years. On an ongoing basis, management evaluates whether there has been a permanent impairment in the value of unamortized goodwill based on an estimate of the future undiscounted operating income of each business to which the goodwill relates.

Income taxes

The Company follows the deferral method of tax allocation in providing for income taxes. Under this method, timing differences between income for accounting purposes and income for tax purposes give rise to deferred taxes.

Foreign currencies

The Company follows the temporal method to translate its foreign currencies and the accounts of its integrated foreign subsidiary into Canadian dollars. Under this method, monetary assets and liabilities are translated at the rates of exchange in effect at year-end and the other balance sheet items and income statements items are translated at the exchange rates in effect at the date of transaction. Exchange gains and losses are included in net earnings for the period.

Forward exchange contracts

The Company periodically enters into forward exchange contracts with major financial institutions to partially hedge the effects of foreign currency fluctuations related to foreign-denominated payables and also to hedge firm purchase commitments. Gains and losses on these forward exchange contracts are recognized in net earnings during the same period as the corresponding anticipated transactions.

Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. Fully diluted earnings per share are calculated based on the weighted average number of common shares that would have been outstanding had all of the stock options outstanding at year-end been converted into common shares at the beginning of the year or on the date of issuance, if later.

November 30, 1999 and 1998 (tabular amount in thousands of dollars, except per-share amount)

2 BUSINESS ACQUISITIONS

On December 1, 1997, the Company acquired all of the operating assets of Panel Products, a Western Canada distributor of high-pressure laminates and specialty hardware as well as a manufacturer of chalkboards and tackboards. On April 30, 1998, the Company also acquired all of the shares of Dayvan Inc., a Toronto based company specializing in the distribution of hardware and aluminum extrusions for the manufacturing of kitchen cabinets, furniture and glass industries.

These transactions were accounted for by the purchase method and the results of operations were recorded from the purchase date.

Summary of 1998 acquisitions

	$
Net assets acquired	
Current assets	7,574
Fixed assets	428
Goodwill	5,881
	13,883
Current liabilities assumed	2,230
Net assets acquired for cash consideration	11,653

3 FIXED ASSETS

	1999		1998	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	$	$	$	$
Land	2,889	–	3,049	–
Buildings	7,541	1,247	8,520	1,414
Leasehold improvements	1,037	923	1,007	831
Machinery and equipment	6,511	3,699	5,780	3,213
Rolling stock	743	456	534	351
Furniture and fixtures	1,832	1,334	1,604	1,184
Computer equipment	3,612	2,412	2,707	2,141
	24,165	10,071	23,201	9,134
Accumulated depreciation	(10, 071)		(9,134)	
	14,094		14,067	

4 GOODWILL

	1999	1998
	$	$
At cost	25,662	25,662
Accumulated amortization	6,737	5,824
	18,925	19,838

5 BANK LOAN

The Company has a line of credit available in the amount of $18.5 million [1998 – $18.5 million] which bears interest at prime and is renewable on May 31, 2000. The indebtedness incurred under this line of credit and the bank loan described in note 6[e] are collateralized by a first-ranking charge on book debts and inventories totalling $22.5 million [1998 – $22.5 million].

6 LONG-TERM DEBT

	1999	1998
	$	$
a) Bank loan maturing in 2003, bearing interest at 6.5%, collateralized by an immovable hypothec.	4,237	4,425
b) Bank loan maturing in 2005, bearing interest at the rate of 0.125% above the bank's prime rate, collateralized by an immovable hypothec.	1,173	1,173
c) Bank loan maturing in 2000, bearing interest at the bank's prime rate, collateralized by an immovable hypothec.	608	678
d) Loan reimbursed in 1999, bearing interest at a floating rate, which was 7.25% as at November 30, 1998, collateralized by an immovable hypothec.	–	444
e) Bank loan reimbursed in 1999, bearing interest at the rate of 0.25% above the bank's prime rate, collateralized as described in note 5.	–	750
f) Other loans maturing at various dates in 2000.	16	20
	6,034	7,490
Less: Current portion	1,022	2,880
	5,012	4,610

November 30, 1999 and 1998 (tabular amount in thousands of dollars, except per-share amount)

6 LONG-TERM DEBT (CONTINUED)

The principal instalments due on long-term debt for the next five years are as follows:

	$
2000	1,022
2001	450
2002	464
2003	3,824
2004	235
	5,995

7 CAPITAL STOCK

Authorized

An unlimited number of:

Non-voting first and second preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors.

Common shares.

Issued

	1999 $	1998 $
11,454,908 common shares [1998 – 11,580,368]	11,138	11,123

During 1999, the Company, through a normal course issuer bid purchase, for cancellation 167,960 common shares for a cash consideration of $1.321 million. In addition, the Company issued 42,500 common shares [1998 – 103,300] at prices varying from $3.42 to $4.40 [1998 – $3.42 to $4.40] per share pursuant to the exercise of 42,500 [1998 – 103,300] options under the share option plan.

Stock split

On April 9, 1999, the Company proceeded to two-for-one stock split of its common shares. Therefore, the number of shares, options, and the earnings per share amounts were modified retroactively in order to reflect this stock split.

Share option plan

The Company has a share option plan for its directors, officers and key employees which was modified in 1999 to allow employees to elect to receive cash for the option equal to their intrinsic value, being the difference between the exercise price of the options and the market value of the shares at the date of exercise. As at November 30, 1999, 150,600 [1998 – 13,000] options were still available to be granted. In the last two years, transactions involving options are summarized as follows:

	Options number	Exercise price per share $	Aggregate $
Outstanding, November 30, 1997	1,024,000	3.42 to 4.40	4,177
Granted	160,000	8.53	1,364
Exercised	(103,300)	3.42 to 4.24	(427)
Cancelled	(1,500)	4.40	(7)
Outstanding, November 30, 1998	1,079,200	3.42 to 8.53	5,107
Exercised	(42,500)	3.42 to 4.40	(176)
Settled in cash	(113,100)	3.42 to 4.40	(476)
Cancelled	(24,500)	8.53	(209)
Outstanding, November 30, 1999	899,100	3.42 to 8.53	4,246

All options outstanding will expire between July 13, 2003 and June 25, 2008.

8 INCOME TAXES

The effective income tax rate differs from the combined statutory rates for the following reasons:

	1999 $	1998 $
Combined statutory rates	40.3%	39.9%
Income taxes at combined statutory rates	7,020	5,638
Increase (decrease) resulting from:		
Manufacturing and processing credit	(67)	(86)
Miscellaneous non-deductible expenses	267	195
	7,220	5,747

November 30, 1999 and 1998 (tabular amount in thousands of dollars, except per-share amount)

9 FINANCIAL INSTRUMENTS

Fair values

The carrying amount of the accounts receivable, bank indebtedness, accounts payable and accrued liabilities are a reasonable estimate of the fair values because of the short maturity of these instruments.

The carrying amount of the loans included in the long-term debt approximates their fair value either because of the floating rate nature of some loans or because management estimates that the loans payable with fixed interest rates have no significant difference between their fair values and their carrying values, based on rates currently available to the Company on loans with similar terms and remaining maturities.

The carrying amount of the forward exchange contracts approximates their fair value because these contracts are recents and have a short maturity date.

Credit risk

The Company sells products to customers primarily in Canada. The Company performs ongoing credit evaluations of customers and generally does not require collateral. As at November 30, 1999 and 1998, no customer accounted for over 10% of the total accounts receivable.

10 COMMITMENTS

a) Leases

The Company is committed with respect to operating leases for warehouse and office premises expiring on various dates's to 2004. The future minimum payments, excluding executory costs for which the Company is responsible, are as follows:

	$
2000	915
2001	679
2002	389
2003	315
2004	78
	2,376

b) Forward exchange contracts

As at November 30, 1999, the Company held the following forward exchange contracts having maturities date below one year and average exchange rates of:

Type	Currency	Average exchange rate
Buy	$5,000 US	1,458
Buy	2,550 EURO	1,529

11 SEGMENTED INFORMATION

Management has determined that the Company's operations are in the manufacturing and in the distribution of specialized hardware. Manufacturing activities represents less than 10% of the Company's overall activities.

The Company's sales to foreign countries are primarily directed to the Unites States and amount to $7.760 million [1998 – $5.466 million].

12 YEAR 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. Management has developed and implemented a plan designed to identify and address the expected effects of the Year 2000 issue on the Company. As at November 30, 1998, the Company has identified computer systems that require modification or replacement and has taken corrective actions where applicable. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.

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